

Public Service Commission of Wisconsin
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Ex.-WIEG-Kollen-5

ICC Docket No. 14-0496
Joint Applicants' Response to
Staff Data Requests DGK 1.01-1.10
Dated: August 18, 2014

Public Service Commission of Wisconsin
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REQUEST NO. DGK 1.01:

Joint Applicants' witness John J. Reed testifies that any savings that occur as a result of the merger, net of the costs to achieve them, are expected to materialize over the longer-term (e.g., 5 to 10 years) after closing. (Joint Applicants Ex. 3.0, 34 and 46.) Please identify potential areas of savings and describe in detail how the savings could be achieved.

RESPONSE:

As discussed on page 34, lines 698-706 of Mr. Reed's testimony, merger-related savings typically accrue over time, and after upfront investment, through enhanced purchasing power, economies of scale, joint resource planning over a larger and more diverse system, the documentation, adoption and implementation of best practices, other efficiencies in operations and maintenance and project management, sharing administrative and other services over a larger organization, and the improved use of technology. Some specific areas where merger synergy savings are typically found include: insurance, shareholder services, professional services (e.g., accounting, legal), credit facilities, advertising, and supply chain economies (e.g., procurement, inventory, and contract services).

As noted on page 38, lines 772-780 of Mr. Reed's testimony, WEC plans to develop and execute specific merger integration plans over time. For that reason, neither Mr. Reed nor WEC has identified specific potential areas of savings or how those savings could be achieved. The development and execution of merger integration plans is a company-specific, multi-year process involving management and internal and subject matter experts throughout the combined company. WEC is not planning any significant reductions in force or layoffs and associated near-term merger-related savings and it has not yet begun the integration process.